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Foreclosure in North Carolina

For the first two months of the year, there were 13,003 foreclosure filings in North Carolina, up 20 percent from the same period a year ago.

Filings increased 7 percent last year to 67,854.

Filings mark the start of the foreclosure process. Some homeowners will work out repayments. Others will lose their homes.

Source: N.C. Administrative Office of the Courts

WASHINGTON A handful of foreclosure prevention measures run by the Obama administration have become so ineffectual, inefficient and complicated that, according to House Republicans, the programs should be killed outright.

The House of Representatives is scheduled to vote this week to get rid of a refinance program for FHA loans and another program, scheduled to begin next month, that would help homeowners with delinquent payments.

And this morning, the House financial services panel is expected to vote to ban two more measures: One of them is a massive effort that was designed to adjust up to 4 million mortgages, but has so far successfully tackled just half a million. The other steers money to communities through the Neighborhood Stabilization Program.

The Treasury Department and many Democrats argue that the programs - though flawed - are fixable. And consumer advocates say the measures offer the last, best hope for many struggling families.

"It's all we have," said Hazel Mack-Hilliard, director of the mortgage foreclosure project with Legal Aid of North Carolina. "To have nothing and just say 'let the lenders do it,' that's worse than nothing."

Aims unmet

Altogether, killing the programs could save the federal government a few billion dollars. But the real problem, says U.S. Rep. Patrick McHenry, is that families sometimes get hurt more than they're helped. McHenry, a Republican from Cherryville, will read from constituents' stories at Wednesday's committee meeting, talking of how homeowners were strung out on the hope of receiving mortgage modifications, only to be told eventually that they don't qualify.

In the meantime, he said, they've exhausted their savings, killed their credit and lost a place to live.

"It's just heartbreaking stuff," McHenry said. He has sponsored the HAMP Termination Act, which aims to kill the Home Affordable Modification Program.

Through that program, the government pays banks and other loan servicers to voluntarily adjust mortgages. But of nearly \$30 billion allocated to the mortgage modification program, only a billion dollars has been spent.

Neil Barofsky, the special inspector general for the modification programs through the Troubled Asset Relief Program, told Congress last week that "HAMP has been beset by problems from the outset and, despite frequent retooling, continues to fall woefully short of meeting its original expectations."

He blamed the Treasury Department for refusing to adopt "meaningful goals and benchmarks" for the program, but stopped short of saying the mortgage modification program should be shuttered altogether.

Treasury Secretary Timothy Geithner told Congress in separate testimony last week that he wants to keep the program.

The House also is scheduled to begin debate today on two measures - to kill the FHA Refinance Program and the Emergency Mortgage Relief Program.

The first, designed to refinance homes purchased under FHA loans, has resulted in the refinancing of just 22 homes as of the end of December, according to the Congressional Research Service. The second, meant to help homeowners facing delinquent payments, is scheduled to begin next month.

Votes in the full House are expected by the end of the week.

The other two bills - the HAMP Termination Act and the Neighborhood Stabilization Program Termination Act - are expected to pass committee votes today. They could come to the House floor within a month.

The Neighborhood Stabilization Program provides money to help people buy homes that are empty because they've been foreclosed upon.

The program was developed by the Department of Housing and Urban Development to help stabilize communities hardest hit by the housing crisis. In 2009, North Carolina received a little over \$52 million under the program; money that went to 23 counties that met the "greatest need" criteria. The N.C. Housing Finance Agency, one of 20 organizations that helped disburse the money in North Carolina, used \$3.7 million to help 208 families buy homes that had been foreclosed on, said Connie Helmlinger, a spokeswoman for the agency .

Problem still growing

As the GOP moves to kill the assistance programs, the mortgage crisis isn't going away.

Despite other signs of economic recovery, foreclosure filings across the country continue at a record pace. RealtyTrac predicts filings will increase 20 percent this year, topping 3 million, according to Barofsky's testimony.

North Carolina had 13,003 foreclosure filings during the first two months of the year, up 20 percent from the same period a year ago, according to the N.C. Administrative Office of the Courts.

Republicans' efforts to kill the assistance programs come as Congress is investigating what Democrats describe as foreclosure fraud, roboSigning and other mortgage servicing abuses.

A report from the Congressional Research Service last month pointed out that servicers often have financial incentives to move ahead with foreclosures rather than modify mortgages - even when it isn't in the best interest of the investor in the mortgage.

U.S. Rep. Mel Watt, a Charlotte Democrat, got into a heated argument at a committee meeting

last week with GOP members, saying their push amounted to nothing more than politics. He agreed that the mortgage modification program has shortcomings, but pointed out that neither the Democratic-controlled Senate nor Obama is likely to support killing the programs.

"The real criticism is [the mortgage adjustment programs] haven't helped as many people as they have the potential to help," Watt said. "I don't think the answer is to do away with the programs, but to make them more efficient."

Settlement may help

U.S. Rep. Brad Miller, a Raleigh Democrat, hopes that a \$20 billion "global settlement" now being quietly developed among federal regulators, mortgage servicers and the state attorneys general will cover much of the ground that the modification program missed.

That settlement follows a wide-ranging investigation into mortgage practices and, if approved, would impose requirements on documentation, on worker training and staffing, and on how servicers handle troubled mortgages in order to reduce unnecessary foreclosures.

Where the program hasn't previously done enough to help homeowners, it could evolve to help stabilize the housing market, Miller said.

"The \$30 billion that's left in HAMP could assist that effort greatly," Miller said. "If we end HAMP, that money is lost from the effort to get control of the housing market."

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